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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

September 3, 1999

BY HAND

Magalie Roman Salas, Secretary
Federal Communications Commission
445 Twelfth Street, S.W. - Suite TW-A325
Washington, D.C. 20554

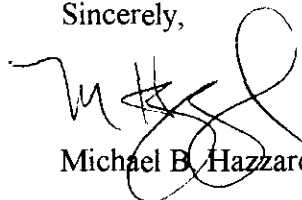
Re: CC Docket Nos. 96-98

Dear Ms. Salas:

On September 3, 1999, Robert Curtis, Senior Vice President, Z-Tel Technologies, Inc., and Michael B. Hazzard, Lawler, Metzger & Milkman, counsel to Z-Tel, met with William Bailey, Legal Advisor to Commissioner Furchtgott-Roth, and Dorothy Atwood, Legal Advisor to Chairman Kennard, to discuss Z-Tel's views on issues raised in the unbundled network element remand proceeding. In particular, Z-Tel described its reliance on unbundled switching furnished by incumbent local exchange carriers in the provision of Z-Tel's telecommunications service offerings. Issues addressed in the presentation are described further in the enclosed document, which was provided at each meeting.

In accordance with section 1.1206(b)(1) of the Commission's rules, 47 C.F.R. § 1.1206(b)(1), an original and one copy of this letter and enclosure are being provided to you for inclusion in the public records of each of the above-referenced proceedings.

Sincerely,



Michael B. Hazzard

Enclosure

cc: Dorothy Atwood, Legal Advisor to Chairman Kennard
William Bailey, Legal Advisor to Commissioner Furchtgott-Roth
Kyle Dixon, Legal Advisor to Commissioner Powell
Linda Kinney, Legal Advisor to Commissioner Ness
Sarah Whitesell, Legal Advisor to Commissioner Tristani

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Z-Tel Technologies, Inc.

The Need for Unbundled Switching and the
Unbundled Network Element Platform to
Serve Mass Markets

September 3, 1999

Z-Tel Serves Residential Customers In New York Over UNEP Over 8,000 Customers In Less Than Two Months

Compare	Z-Tel	Bell Atlantic
- Complete Home Phone Service	Included	N/A
- Flat-Rate Local Phone Service	Included	\$20.16
- Long Distance Calling	200 Mins. Incl.	\$26.00*
- Caller ID, Call Forwarding, Call Waiting, Speed Calling, 3-Way Calling	All Included	\$21.26
- Voice Mail (Web or Phone)	Included	N/A
- "Follow Me" Service	Included	N/A
- Web Command & Control Center	Included	N/A
- Group Messaging	Included	N/A
Total Cost	\$49.99	\$80.41

*Bell Atlantic presently does not provide long distance service in New York. This cost estimate is based on national long distance carrier products. Individual customer bills may vary depending on calling patterns.

Z-Tel's Business Plan

- Focus resources (over \$30 million in 18 months) in software development to add value to end users rather than invest in obsolete local infrastructure
- Deliver value-added applications by innovative manipulation of local and long distance networks
- Use UNEP/ULS as an entrance strategy, deploy services in top 100 MSAs, and build base of low average bill customers to achieve economies of scale
- Once MSA economies of scale reached, deploy next generation Class 4 and Class 5 network infrastructure
- Will facilitate innovation and competition by forcing circuit-switch service providers to invest in innovative applications and services and speed deployment of next generation infrastructure

Z-Tel's Business Plan Is Seriously Impaired Without UNEP/ULS

- Would create barrier to entry by forcing diversion of resources from value-added services to duplication of obsolete network infrastructure
- Would impair Z-Tel's ability to integrate value-added services with PSTN
- Would impair Z-Tel's ability to serve Mass Market by reducing the number of customers that could be timely provisioned
- Any restrictions on UNEP/ULS would impair Z-Tel's ability to build economies of scale and deploy next generation architecture
- If forced to operate and an Enhanced Service Provider, Z-Tel's integrated communications package goes away
- Would impair Z-Tel's ability to raise capital

No UNEP/ULS Would Force Wasteful Diversion Of Resources

- Would force Z-Tel to invest in antiquated circuit-switched technology
- In last 18 months, Z-Tel has invested over \$30 Million to:
 - Develop software to integrate local, long distance, and Z-Tel's advanced communications applications
 - Work with packet switch manufactures to test next generation Class 5/Class 4 ATM switches
- Commission should encourage investment in new technology, not protect antiquated technology

Limits On Unbundled Switching Impair Z-Tel's Ability To Integrate Value-Added Services With PSTN

- Resale constricts service offerings to subset of incumbent retail products -- precludes Z-Tel's value-added services
- Without ULS, Z-Tel's ability to deliver a bundled product offering that economically serves mass markets would be impaired
- Without ULS, Z-Tel could not execute an essential feature of its business plan: Intelligent manipulation of the PSTN
 - Lose ability to deploy custom dialing plan
 - Lose access to unbundled switch triggers (AIN functionality)
- Without ULS, Z-Tel's ability to tightly integrate its value added services with the PSTN would be impaired - Z-Tel could not deploy:
 - Voice Mail
 - Web configurable services (intelligent follow-me)
 - AIN-based services

Z-Tel Can Not Provide Its Services As An Enhanced Services Provider

- Enhanced services are only a fraction of Z-Tel's integrated product offering
- Through its complete bundle of services, Z-Tel has developed a product offering that economically serves the mass market
- Enhanced service providers
 - Do not provide complete bundled offerings
 - Do not control switching functionality, which Z-Tel needs to deploy many of its products
- Z-Tel must continue to operate as a carrier, otherwise Z-Tel's package goes away

ULS/UNEP Restrictions Would Impair Z-Tel's Ability To Build Economies Of Scale

- Using the UNEP in New York, Z-Tel has provisioned service to nearly 8,000 customers in less than two months
- Such mass market deployment would be impossible without UNEP
- Mass market consumers generate too little revenue to justify switch deployment, collocation in all end offices, and difficult “hot-cut” procedures
- Without UNEP
 - Would have to establish 168 collos to serve New York City metro area
 - Impossible to “hot-cut” 8,000 loops in two months - #1 OSS problem
- **Without UNEP Z-Tel would not serve residential and could not serve business customers in New York**

No Wholesale Market Exists For Unbundled Switching

- Even in MSAs where the most switches have been deployed, CLECs do not offer a wholesale switching product
- Facilities-based CLECs have no known plans to develop wholesale switching capability
- Facilities-based CLECs target customers that purchase DS1 and above services (medium-sized business), not low-volume, low-revenue mass market consumers or carriers serving those consumers

If FCC Places Restrictions On Switching/UNEP

- Service level restriction (*e.g.*, DS1 or above) more narrowly tailored
 - Focused on type of customer, rather than customer location
 - Easy to administer -- loop/switch port easy to identify
- Avoid sunset -- better to conduct market-based review (*e.g.*, triennial review)
 - Sunset would decide the future, without looking at market
 - Preclude penetration of many MSAs
- At a minimum, do no harm
 - Preserve pro-competitive state decisions (*e.g.*, NY, TX, PA, etc.)
 - The NYPSC and TXPUC have jump-started mass market competition